

Minneapolis Community Development Agency

Request for City Council Action

Date: May 20, 2003

To: Council Member Lisa Goodman, Community Development Committee
Council Member Barbara Johnson, Ways and Means/Budget Committee
Refer to: MCDA Board of Commissioners

Prepared by Richard G. Victor, Senior Project Coordinator - Phone 612-673-5026

Approved by Lee Sheehy, MCDA Executive Director
Chuck Lutz, MCDA Deputy Executive Director _____

Subject: West Side Milling Project
Modification to the Tax Increment Finance Plan, Bonding and Pledge
Agreement Authorization, and Appropriation Authorization

Previous Directives: West Side Milling District TIF Plan approved February 6, 1998. Modification No. 1 to the West Side Milling District TIF Plan, Modification No. 16 to the Industry Square Redevelopment Plan and Modification No.81 to the Common Plan approved February 2, 2001.

Ward: 2nd

Neighborhood Group Notification: Industry Square Project Committee and Downtown Minneapolis Neighborhood Association.

Consistency with *Building a City That Works*: Goal 4: Preserve and enhance the historic structures, urban institutions, environments and amenities that define Minneapolis. Objective A: Assure that downtown Minneapolis remains the retail, employment and entertainment center of the region, as well as home to a mix of residents who choose downtown as their neighborhood. Strategy 3: Develop housing downtown.

Comprehensive Plan Compliance: Modification No. 2 to the West Side Milling District TIF Plan is being reviewed by the Planning Commission on May 8, 2003.

Zoning Code Compliance: N/A

Crown Roller Mill,
105 Fifth Ave. S., Suite 200
Minneapolis, MN 55401-2534
Telephone: (612) 673-5095
TTY: (612) 673-5154
Fax: (612) 673-5100
www.mcda.org

Equal Housing and Employment Opportunities

Impact on MCDA Budget: (Check those that apply)

- ☐ No financial impact
- ☒ Action requires an appropriation increase to the MCDA Budget
- ☒ Action provides increased revenue for appropriation increase
- ☐ Action requires use of contingency or reserves
- ☐ Other financial impact (Explain):

Living Wage / Business Subsidy: N/A

Job Linkage: N/A

Affirmative Action Compliance: N/A

RECOMMENDATION:

City Council Recommendation: The Executive Director recommends that the City Council approve the attached resolutions relating to the West Side Milling Project which (1) adopt Modification No. 2 to the West Side Milling District Tax Increment Finance Plan, (2) authorize the sale and issuance of up to \$1,725,000 in tax-exempt general obligation tax increment bonds, and (3) authorize a tax increment pledge agreement between the City and the Minneapolis Community Development Agency to support such bonds.

It is also recommended that the City Council amend the MCDA 2003 Appropriation Resolution to increase the appropriation in Fund AWM (West Side Milling Tax-Exempt) by \$1,725,000, and increase the 2003 revenue budget (3910-01, bond proceeds) by \$1,725,000.

MCDA Board Recommendation: The Executive Director recommends that the MCDA Board approve the attached resolutions relating to the West Side Milling Project which (1) adopt Modification No. 2 to the West Side Milling District Tax Increment Finance Plan, and (2) authorize a tax increment pledge agreement between the City and the Minneapolis Community Development Agency to support the above referenced bonds.

Background/Supporting Information

Development of the West Side Milling TIF District (the "TIF District") continues with fervor. The Stone Arch Office Project has been completed and is currently 80% occupied. The Mill City Museum and the Humboldt Mill Condominiums are nearly complete and the construction of the Park Avenue West building is scheduled to begin in June of this year. The next step in the development of this new neighborhood is financing for the construction of Chicago Ave. S. (between Washington Ave. S. and 2nd Street S.) and the completion of the Chicago Avenue Plaza.

Modification No. 2 to the TIF Plan

The purpose of Modification No. 2 to the Tax Increment Finance Plan (the "TIF Plan") for the TIF District is to (1) delete property from the TIF district (east block of Parcel D), (2) update text in the TIF Plan which describes the development activity which has or is expected to occur within the TIF District, and (3) update the tax increment budget and the maximum amount of bonded indebtedness that can be issued for the TIF District.

Pursuant to the Tax Increment Financing Act (M.S. Section 469.174-469.179), most of the tax increment collected from the TIF District must be spent within its boundaries. Additionally, financing and contractual obligations being paid with tax increment must be finalized within five years from certification of the TIF District (the "Five-Year Period"). The TIF District was certified on July 20, 1998. Therefore all bonds, pay-as-you-go notes and other financial instruments must be signed and closed by July 20, 2003.

We are currently negotiating with Brighton Development Corporation to develop the finance plan and redevelopment contract terms for the eastern block of Parcel D, and expect to be requesting City Council action later this year. It is anticipated that this new development will include a 38-unit market rate condominium building and an 84-unit rental apartment building (built in two phases) that surrounds the public parking ramp contemplated by the Mill City Museum redevelopment contract. The first phase of the rental apartment building will contain a total of 42 units, including 24 units affordable at 30%-50% of the AMI.

In the meantime, since financing for the eastern block of Parcel D can not be accomplished within the Five-Year Period, this property is being deleted from the TIF District. It is anticipated that a request to place this property in a new tax increment financing district will be brought forward to the City Council once the finance plan and redevelopment contract terms have been finalized.

Bonding Authority

In November of 2001 the City issued \$15,275,000 in taxable G.O. tax increment bonds to provide funds to (1) pay for extraordinary historic preservation costs associated with Phase 2 (Stone Arch Office and Humboldt Lofts) of the project, (2) refund existing taxable G.O. tax increment bonds issued for Phase 1 (North Star, Stone Arch and Washburn Lofts), and (3) fund capitalized interest and pay for costs of issuance, etc. The City also issued \$1,100,000 in tax-exempt G.O. tax increment bonds to (1) construct Park Ave. S. between Washington Ave. South and 2nd St. S., and (2) fund capitalized interest and pay for costs of issuance, etc.

This final bond issue for the West Side Milling TIF District will provide funds to (1) construct Chicago Ave. S. between Washington Ave. S. and 2nd St. S., (2) construct the Chicago Avenue Plaza, and (3) pay for costs of issuance, etc. It is anticipated that 100% of debt service on all of the G.O. tax increment bonds issued for this project will

be paid with tax increment from the TIF District. The City's Finance Department has reviewed cash flow projections prepared by the Agency for the TIF District (Attached as Exhibit A), and has concluded that such bonding is financially sound.

Construction of Chicago Ave. S. is necessary to support the development of Parcel D, the Guthrie Theatre and the related parking/development on Parcel E. Public Works has requested the MCDA to contract for the design of the road, which will be built by Public Works. We plan to engage the Short Elliott Hendrickson Inc. engineering firm from our existing panel once bonding authorization has been approved. The initial construction of the Chicago Avenue Plaza, which is a requirement of the Mill City Museum and Humboldt Lofts redevelopment contracts, will be done this summer. The remaining work on the Plaza will be done after completion of the Wood Plank Road and after construction of the Guthrie Theatre has commenced, in order to avoid any potential damage to the street.

Approval from both the City Council and MCDA Board is requested in order for the City and Agency to enter into a tax increment pledge agreement to support the bonds. An amendment to the 2003 MCDA Appropriation Resolution is also necessary in order for bond proceeds to be expended as described above.

Adopting Modification No 2 to the West Side Milling District Tax Increment Finance (TIF) Plan

RESOLVED BY THE CITY COUNCIL OF THE CITY OF MINNEAPOLIS:

Section 1. Recitals.

1.01. That the Minneapolis Community Development Agency (the "Agency") is the Housing and Redevelopment Authority of and for the City of Minneapolis (the "City") with the authority to propose and implement redevelopment projects and tax increment financing districts, all pursuant to Minnesota Statutes, Sections 469.001 through 469.047, and 469.174 through 469.179, as amended; Laws of Minnesota 1971, Chapter 677, as amended; Laws of Minnesota 1980, Chapter 595, as amended; and Minneapolis Code of Ordinances, Chapter 422, as amended (collectively, the "Laws").

1.02. That by Resolution duly adopted on August 31, 1973 and subsequent resolutions, the City approved the creation of the Industry Square Redevelopment Project and the adoption of the Industry Square Redevelopment Plan, as modified.

1.03. That by Resolution No 89R-530 duly adopted December 15, 1989 and approved December 21, 1989, the City approved the creation by the Agency of the Common Development and Redevelopment Project (the "Common Project") and the adoption of the Common Development and Redevelopment Plan and the Common TIF Plan (the "Common Plans") relating thereto, all pursuant to and in accordance with the Laws. The Industry Square Redevelopment Project is included within the Common Development and Redevelopment Project.

1.04. That by Resolution No 98R-026 duly adopted on February 6, 1998, the City approved Modification Nos 9 and 10 to the Industry Square Redevelopment Plan, and Modification No 53 to the Common Plans, which established the West Side Milling District TIF District and Hazardous Substance Subdistrict, identified a budget for expenditures, and designated property that may be acquired, all pursuant to and in accordance with the Laws.

1.05. That by Resolution No 01R-025 duly adopted on February 2, 2001, the City approved Modification No 1 to the West Side Milling District TIF Plan, among other related modifications to the Common Plans and the Industry Square Redevelopment Plan, which modifications enlarged the West Side Milling District TIF District boundary, authorized public redevelopment activity necessary to assist with the proposed continuing development and redevelopment within the West Side Milling District TIF District, deleted parcels from an existing TIF district (#9), and established a budget for public expenditures, all pursuant to and in accordance with the Laws.

1.06. The Agency has caused to be prepared, and this Council has investigated the facts with respect thereto, a proposed Modification No 2 to the West Side Milling District TIF Plan (the "Modification No 2"), permitting the deletion of property from West Side Milling District TIF District (# 86), the adjustment of the budget (including affordable housing expenditures), and adjustment of the bonded indebtedness.

1.07. The Agency and the City have performed all actions required by law to be performed prior to the adoption of the Modification No 2, including, but not limited to, a review of the proposed

Modification No 2 by the affected neighborhood groups and the Planning Commission, transmittal of the proposed Modification No 2 to the Hennepin County Board of Commissioners and the School Board of Special School District No 1 for their review and comment, and the holding of a public hearing upon published and mailed notice as required by law.

Section 2. Findings for the Adoption of the Modification.

2.01. The Council finds, determines and reaffirms the findings made in Resolution 98R-026 on February 6, 1998, and Resolution 01R-025 on February 2, 2001.

2.02. The Council further finds, determines, and declares that the Modification No 2 conforms to the general plan for the development or redevelopment of the City as a whole. Written comments of the Planning Commission with respect to the Modification No 2 were issued and are incorporated herein by reference, and are on file in the office of the City Clerk.

2.03. The Council further finds, determines and declares that the area to be deleted from the West Side Milling District TIF District is part of a larger area that is currently in the process of being replatted, and further, upon completion of this process and assignment of a distinct property identification (PID) for the area to be deleted from the West Side Milling District TIF District, Hennepin County will delete such parcel and PID from the TIF District.

2.04. The Council further finds, determines and declares that the objectives and actions authorized by the Modification No 2 are all pursuant to and in accordance with the Laws.

2.05. The Council further finds, determines and declares that it is necessary and in the best interest of the City at this time to approve the Modification No 2.

Section 3. Approval of the Modification.

3.01. Based upon the findings set forth in Section 2 hereof, the Modification No 2 presented to the Council on this date is hereby approved and shall be placed onfile in the office of the City Clerk.

Section 4. Implementation of the Modification.

4.01. The officers and staff of the City and the Agency and the City's and the Agency's consultants and counsel are authorized and directed to proceed with the implementation of the Modification No 2, and for this purpose to negotiate, draft, prepare and present to this Council for its consideration, as appropriate, all further plans, resolutions, documents and contracts necessary for this purpose.

Approving the adoption of Modification No 2 to the West Side Milling District Tax Increment Finance (TIF) Plan.

WHEREAS, on this date the City Council of the City of Minneapolis (the "City") adopted Modification No 2 to the West Side Milling District Tax Increment Financing Plan (the "Modification No 2"), all pursuant to Minnesota Statutes, Sections 469.001 through 469.047, 469.174 through 469.179, and 469.1831, as amended; and

WHEREAS, the Minneapolis Community Development Agency (the "Agency") has determined that the adoption of the Modification No 2 is in the best interest of the City;

NOW, THEREFORE, BE IT RESOLVED BY THE MINNEAPOLIS COMMUNITY DEVELOPMENT AGENCY AS FOLLOWS:

That the adoption of the Modification No 2 is hereby approved by the Board of Commissioners (the "Board") of the Agency.

Be It Further Resolved that the Board hereby concurs with all findings made by the City Council with respect to the Modification No 2.

Be It Further Resolved that the officers and staff of the Agency are authorized and directed to proceed with the implementation of the Modification No 2, and for this purpose to negotiate, draft, prepare, and present to this Board and the City Council for their consideration, as appropriate, any further plans, resolutions, documents, and contracts necessary for this purpose.

Exhibit A

Projected Cash Flow Schedule West Side Milling TIF District (#86)

		Revenues						Expenses		Revenues	DCR Before	Expense s	Revenues	DCR After
		Projected	Projected	Projected	Brighton	Cap. Int.	Cap. Int.	Actual	Actual			Projected		
Annual	Reven	Net TI	Net TI	Net TI	Private	2001	2001	Actual	Actual	Over/(Un	2003	2003	Over/(Und	2003
Period	ue	(Phase	(Phase	(Phase	Pmts.	Tax.	T/E	D/S	D/S	der)	T/E	T/E	er)	T/E
Ending	Year	(1)	(2a)	(2b)		TI	TI	2001A	2001B	Expenses	Bonds	TI Bonds	Expenses	Bonds
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(12)
02/01/02	2001	121,267	0	0	217,000	0	0							
02/01/03	2002	392,057	0	0	0	925,000	96,806	1,075,391	64,537	273,935	1.24	---	273,935	1.24
02/01/04	2003	637,095	0	311	0	900,000	79,932	887,937	53,288	676,113	1.72	38,016	638,097	1.65
02/01/05	2004	734,358	94,426	311	0	400,000	79,931	887,938	53,287	367,801	1.39	65,170	302,631	1.30
02/01/06	2005	825,604	397,103	8,533	0	129,898	25,975	887,937	53,288	445,888	1.47	65,170	380,718	1.38
02/01/07	2006	837,988	403,141	306,495	0	0	0	962,938	53,287	531,399	1.52	140,170	391,229	1.34
02/01/08	2007	850,558	409,270	618,649	0	0	0	1,084,262	53,288	740,927	1.65	288,145	452,782	1.32
02/01/09	2008	863,316	415,490	628,622	0	0	0	1,104,363	53,287	749,778	1.65	281,283	468,495	1.33
02/01/10	2009	876,266	421,803	638,745	0	0	0	1,137,862	53,288	745,664	1.63	273,633	472,031	1.32
02/01/11	2010	889,411	428,212	649,020	0	0	0	1,173,975	53,287	739,381	1.60	265,420	473,961	1.32

02/01/1 2	2011	902,752	434,716	659,448	0	0	0	1,232,40 0	53,288	711,228	1.55	231,645	479,583	1.32
02/01/1 3	2012	916,293	441,320	670,033	0	0	0	1,261,60 0	53,287	712,759	1.54	223,525	489,234	1.32
02/01/1 4	2013	930,037	448,021	680,777	0	0	0	1,287,75 0	78,288	692,797	1.51	190,225	502,572	1.32
02/01/1 5	2014	943,988	454,822	691,683	0	0	0	1,310,25 0	77,225	703,018	1.51	182,700	520,318	1.33
02/01/1 6	2015	958,148	461,726	702,751	0	0	0	1,355,00 0	101,138	666,487	1.46	0	666,487	1.46
02/01/1 7	2016	972,520	468,734	713,986	0	0	0	1,395,00 0	98,912	661,328	1.44	0	661,328	1.44
02/01/1 8	2017	987,108	475,847	725,390	0	0	0	1,455,10 0	96,638	636,607	1.41	0	636,607	1.41
02/01/1 9	2018	1,001,91 5	483,066	736,965	0	0	0	1,483,70 0	119,312	618,934	1.39	0	618,934	1.39
02/01/2 0	2019	1,016,94 4	490,393	748,712	0	0	0	1,531,20 0	115,750	609,099	1.37	0	609,099	1.37
02/01/2 1	2020	1,032,19 8	497,831	760,637	0	0	0	1,547,70 0	137,150	605,816	1.36	0	605,816	1.36
02/01/2 2	2021	1,047,68 1	505,381	772,740	0	0	0	1,609,70 0	132,350	583,752	1.34	0	583,752	1.34
02/01/2 3	2022	1,063,39 6	513,043	785,024	0	0	0	1,664,20 0	152,500	544,763	1.30	0	544,763	1.30
02/01/2 4	2023	1,079,34 8	520,820	797,494	0	0	0	1,736,20 0	146,250	515,212	1.27	0	515,212	1.27
02/01/2 5	2024	1,095,53 8	528,714	810,150	0	0	0	1,774,20 0	165,000	495,202	1.26	0	495,202	1.26
02/01/2 6	2025	1,111,97 2	536,727	822,995	0	0	0	1,849,70 0	157,500	464,494	1.23	0	464,494	1.23
		22,087,7 58	9,830,60 6	13,929,4 71	217,000	2,354,89 8	282,644	31,696,3 03	2,175,42 5	14,492,38 2	1.44	2,245,10 2	12,247,28 0	1.35

Authorizing the sale and issuance of the General Obligation Tax Increment Bonds, Series 2003A (West Side Milling), of the City of Minneapolis and providing the form, terms, pledge of tax increment revenues and findings, covenants, and directions relating to such obligations

RESOLVED BY THE CITY COUNCIL OF THE CITY OF MINNEAPOLIS:

SECTION 1. AUTHORIZATION, FINDINGS AND DEFINITIONS

1.01. The Project and the District. The Minneapolis Community Development Agency (the “Agency”) is authorized to establish redevelopment projects pursuant to Minnesota Statutes, Sections 469.001-469.047, as amended (the “Redevelopment Act”). The Agency established the Industry Square Redevelopment Project (the “Project”) in accordance with the requirements of the Redevelopment Act. The Agency and the City of Minneapolis, Minnesota (the “City”), are authorized to establish tax increment financing districts pursuant to Minnesota Statutes, Section 469.174-469.179, as amended (the “Tax Increment Act”). Pursuant to Resolution No. 98R-026 duly adopted by the City Council of the City on February 6, 1998, and pursuant to Resolution No. 98-1760M, duly adopted by the Board of Commissioners of the Agency, on February 6, 1998, the Agency established the West Side Milling District TIF District No. 86 and Hazardous Substance Subdistrict (the “District”). By Resolution No. 01R-025, duly adopted by the City Council of the City on February 2, 2001, and by Resolution No. 01-2370M, duly adopted by the Board of Commissioners of the Agency on February 2, 2001, the City and Agency approved Modification to the Tax Increment Finance Plan (the “TIF Plan”) for the District in order to: (i) add property to the District; (ii) update the portions of the TIF Plan describing the development activity which has occurred and is expected to occur in the District; and (iii) update the budget and the amount of bonded indebtedness with respect to the District.

1.02. Redevelopment Contract In order to provide for the development of the District and the Project: (i) the Agency and the Minnesota Historical Society, a chartered public institution under the laws of the State of Minnesota (“MHS”), entered into a Redevelopment Contract, dated as of July 23, 2001 (the “Redevelopment Contract”); and (ii) the Agency and Brighton Development Corporation, a Minnesota corporation (the “Corporation”), entered into a Redevelopment Contract, dated as of July 23, 2001 (the “Humboldt Contract”). The Redevelopment Contract provided for the development of a Museum Element on the Museum Parcel and an Office Element on the Office Parcel (as all such terms are defined in the Redevelopment Contract). MHS assigned its Office Development Rights (as defined in the Redevelopment Contract) to Stone Arch Office Limited Partnership, a Minnesota limited partnership (“Stone Arch”), pursuant to the terms of an Assignment and Assumption of Redevelopment Contract (Office Development Rights), dated as of July 23, 2001 (the “Assignment”), between MHS and Stone Arch. The Humboldt Contract provides for the development of thirty-six residential ownership units in the former Humboldt Mill and adjacent property (the “Humboldt Condominiums”).

1.03. The Finance Plan. The redevelopment of the District is comprised of the following four elements: (i) the Museum Element (also known as the Mill City Museum); (ii) the Office Element; (iii) the Humboldt Condominiums; (iv) the construction of Park Avenue South from Washington Avenue South to Second Street South; and (v) the construction of Chicago Avenue South from Washington Avenue South to

Second Street South. The public redevelopment costs for the development and redevelopment of the District consist of the costs for historic preservation of the existing buildings in which the Museum Element, the Office Element, and the Humboldt Condominiums are located, the costs for the extension of Park Avenue South to Second Street South, and certain other related costs. The costs for the historic preservation of the existing buildings in which the Museum Element, the Office Element, and the Humboldt Condominiums are located was financed with the proceeds derived from the sale of Taxable General Obligation Tax Increment Bonds, Series 2001A (the "Series 2001A Bonds") issued by the City in the original aggregate principal amount of \$15,275,000. The costs for the extension of Park Avenue South to Second Street South was financed with the proceeds derived from the sale of General Obligation Tax Increment Bonds, Series 2001B (the "Series 2001B Bonds"), issued by the City in the original aggregate principal amount not to exceed \$1,100,000.

The City is proposing to issue a final series of bonds for the District, to be designated the General Obligation Tax Increment Bonds, Series 2003A (West Side Milling) (the "Series 2003A Bonds" or the "Bonds") in the aggregate principal amount of \$1,725,000 to be applied to the following purposes: (i) to construct Chicago Avenue South between Washington Avenue South and Second Street South; (ii) to construct the Chicago Avenue Plaza; and (iii) to pay the costs of issuing the Bonds.

Payment of the principal of, premium, if any, and interest on the Bonds will be secured by the full faith and credit of the City and, to the extent necessary for this purpose, the City will levy taxes on all taxable property in the City without limitation as to rate or amount to pay the principal of, premium, if any, and interest on the Bonds when due. The Bonds are expected to be paid from net tax increment revenues derived from the District (the "Tax Increment Revenues").

1.04. Authority. The City is authorized to issue the Bonds to finance the public redevelopment costs of the District and the Project and to apply the Tax Increment Revenues and other revenues to the payment thereof under Minnesota Statutes, Section 469.178, as amended, and Minnesota Statutes, Chapter 475, as amended. Pursuant to the terms of Minnesota Statutes, Section 475.58, subdivision 1, as amended, no election is required because the City Council has determined, and hereby affirms, that not less than twenty percent (20%) of the public redevelopment costs for the development and redevelopment of the District is estimated to be received from the Tax Increment Revenues.

1.05. Definitions. Unless the context otherwise requires, the terms defined in Section 1.01-1.04 of this Resolution and in this Section 1.05 shall, for all purposes of this Resolution and any resolution supplemental hereto, have the meanings herein specified, such definitions to be equally applicable to both the singular and plural forms of any of the terms defined:

"Act" means Minnesota Statutes, Chapter 475, as amended.

"Code" means the Internal Revenue Code of 1986, as amended, and such term also includes any Treasury Regulations promulgated thereunder.

"Holder", "Bondholder" or "owner" means the person in whose name a Bond is registered.

"Letter of Representations" means the Blanket Letter of Representations from the City to Depository Trust Company, New York, New York.

"Pledge Agreement" means the Pledge Agreement to be entered into between the Agency and the City with respect to the issuance of the Bonds.

"Resolution" means this resolution authorizing the issuance of the Bonds, as this resolution may be amended or supplemented from time to time.

SECTION 2. TERMS AND FORM OF BONDS.

2.01. Bond Terms. It is hereby determined to be necessary and expedient to issue the Bonds to finance the costs referred to in Section 1.03 of this Resolution. The Bonds shall be designated "General Obligation Tax Increment Bonds, Series 2003A (West Side Milling)." The Bonds shall be dated the date of issue or shall be dated such other date as the Finance Officer may determine, shall be issued in denominations of \$5,000 or any integral multiple thereof, and shall be numbered from R-1 upwards in order of issuance, or with such other numbering and in such other order as the Bond Registrar may determine. The Bonds shall be issued in the original aggregate principal amount of \$1,725,000, or such lesser amount as the Finance Officer shall determine to be necessary and appropriate to finance the costs for which the Bonds are to be issued. The Bonds shall bear interest at the rates per annum approved by the Finance Officer and shall be payable semiannually on March 1 and September 1 of each year, or on such other dates determined by the Finance Officer, commencing on March 1, 2004, or such other date determined by the Finance Officer, from the date of the Bonds or the most recent interest payment date to which interest has been paid or duly provided for, computed on the basis of a 360-day year of twelve thirty-day months. The Bonds shall mature on such dates and in such principal amounts as shall be determined by the Finance Officer, consistent with the requirements of Section 475.54, subdivisions 1 and 17, of the Act (determined, if necessary, by combining such maturities with those of other general obligation bonds of the City). The Finance Officer may determine to designate any portion of the principal of the Bonds to be combined within one or more term Bonds subject to mandatory sinking fund redemptions in the years and amounts determined by the Finance Officer.

The Finance Officer shall establish the dates on and after which the Bonds shall be subject to redemption and prior payment, in whole or in part, at the option of the City. The redemption prices of the Bonds shall be such redemption prices, with or without premium, as the Finance Officer shall determine necessary to obtain the lowest interest rates for the Bonds consistent with the amended finance plan pursuant to which the Bonds are to be issued.

Thirty (30) days prior to any redemption date, notice of any such redemption shall be given by mail to the registered owners in accordance with the terms of the Act and the terms of the Bonds. In the event of a partial redemption by lot of Bonds, the Bond Registrar shall assign to each Series 2003A Bond then outstanding a distinctive number for each \$5,000 of the principal amount of such Bonds and shall select by lot in the manner it determines the order of numbers, at \$5,000 for each number, for all outstanding Bonds of the maturity to be redeemed. The order of selection of Bonds to be redeemed shall be the Bonds to which were assigned numbers so selected, but only so much of the principal amount of each Series 2003A Bond of a denomination of more than \$5,000 shall be redeemed as shall equal \$5,000 for each number assigned to it and so selected. Upon partial redemption of any Series 2003A Bond, the same shall be surrendered in exchange for one or more new Bonds in authorized form for the unredeemed portion of principal.

2.02. Method of Payment; Bond Registrar and Paying Agent. The Bonds shall be payable as to principal upon presentation and surrender thereof at the office of the Finance Officer, in Minneapolis, Minnesota, as initial Bond Registrar and Paying Agent, or at the offices of such other successor paying agents as the City may hereafter designate upon sixty (60) days' mailed notice to the registered owners at their respective registered addresses. At the written request of the registered owner thereof, or at the direction of the Finance Officer, the payment of at least \$100,000 in principal amount of Bonds shall be made by wire transfer of immediately available funds to any bank in the continental United States upon presentation and surrender of such Bonds at the office of the Paying Agent. Interest shall be paid by check or draft mailed to the registered owners of record as of the fifteenth day (whether or not a business day) of the month next preceding the applicable interest payment date at their addresses shown on the registration books or, at the written request of a registered owner of at least \$1,000,000 in aggregate principal amount of Bonds or at the direction of the Finance Officer, by wire transfer of immediately available funds to any bank in the continental United States as the registered owner may specify.

2.03. Bond Form. The Bonds shall be in substantially the following form, the text of which may be printed on the face or on the back or partially on the face or back, with the necessary variations as to name,

series designation, number, CUSIP Number, denomination, rate of interest and date of maturity, the blanks therein to be properly filled in, and with such other additions, deletions, or other changes as the Finance Officer may determine:

(The remainder of this page is intentionally left blank)

(Form of Bonds)

UNITED STATES OF AMERICA
STATE OF MINNESOTA
COUNTY OF HENNEPIN

No. R-_____

\$_____

CITY OF MINNEAPOLIS
GENERAL OBLIGATION TAX INCREMENT BOND
SERIES 2003A
(WEST SIDE MILLING)

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>	<u>CUSIP</u>
	March 1, 20__	_____, 2003	

Registered Owner: _____

Principal Amount: _____ DOLLARS

The City of Minneapolis (the "City"), in the County of Hennepin and State of Minnesota, for value received, hereby certifies that it is indebted and hereby promises to pay to the registered owner named above or registered assigns, the Principal Amount specified above on the Maturity Date specified above, upon the presentation and surrender hereof, and to pay to the Registered Owner hereof interest on such Principal Amount at the Interest Rate specified above from _____, 2003, or the most recent interest payment date to which interest has been paid or duly provided for as specified below, on March 1 and September 1 of each year, commencing March 1, 2004, until said Principal Amount is paid. Interest shall be computed on the basis of a 360-day year consisting of twelve thirty-day months. Principal and the redemption price is payable in lawful money of the United States of America at the office of the Finance Officer in Minneapolis, Minnesota, as Bond Registrar and Paying Agent, or at the office of such successor agents as the City may designate upon sixty (60) days' notice to the respective Registered Owners at their registered addresses. At the written request of the Registered Owner thereof, payment of at least \$100,000 in principal amount of Bonds of this series shall be made by wire transfer of immediately available funds to any bank in the continental United States upon presentation and surrender thereof. Interest shall be paid on each interest payment date by check or draft mailed to the person in whose name this Bond is registered at the close of business on the fifteenth day of the month preceding each interest payment date (whether or not a business day) at the Registered Owner's address set forth on the registration books maintained by the Bond Registrar or, at the written request of a Registered Owner of at least \$1,000,000 in aggregate principal amount of the Bonds of this series, by wire transfer of immediately available funds to any bank in the continental United States. Any such interest not punctually paid or provided for will cease to be payable to the person in whose name this Bond is registered on such regular record dates and such defaulted interest may be paid to the person in whose name this Bond shall be registered at the close of business on a special record date for the payment of such defaulted interest established by the Bond Registrar.

This Bond is one of a series of Bonds all of like date and tenor except for number, interest rate, denomination, date of maturity, and redemption privilege, and is issued pursuant to and in accordance with

Minnesota Statutes, Sections 469.174 to 469.1799, as amended, and Minnesota Statutes, Chapter 475, as amended (the "Act"), for the purpose of providing part of the funds to finance the public redevelopment costs for the development and redevelopment of a portion of the West Side Milling TIF District (the "District") located in the Industry Square Project in the City.

The Bonds are expected to be paid primarily from collections of tax increment revenues from the District and certain other revenues which may be deposited in the Debt Service Account for the Bonds pursuant to the terms of the resolution authorizing the issuance of the Bonds (the "Bond Resolution"). Such use of tax increment revenues is subordinate to any prior obligations of the City to which such tax increment revenues have been pledged (and which pledge does not recognize or permit parity claims or uses of such tax increment revenues) and such deposit shall be made only to the extent such tax increment revenues are available therefor; but the full faith and credit of the City has been and is hereby pledged to the full and prompt payment of the principal of and interest on the Bonds, and the City Council is obligated to levy ad valorem taxes on all taxable property in the City without limitation as to rate or amount, if necessary, to pay principal and interest when due. The City may pledge or apply such tax increment revenues to existing or future obligations of the City on a parity or priority basis with the Bonds.

Reference is hereby made to the Act and to the Bond Resolution for a description of the tax increment revenues and the other revenues that are expected to pay the debt service on the Bonds. Reference is hereby made to the Act and to the Bond Resolution for a description of the nature of the security thereby created, the rights and limitation of the rights of the City and bondholders with respect thereto, and covenants of the City as to the application of the proceeds of the Bonds and the security for the Bonds and interest thereon.

All Bonds maturing on or after March 1, 2013, are subject to redemption at the option of the City, in whole or in part in such order as the City may determine, on March 1, 2012, and any date thereafter at a redemption price equal to par plus accrued interest to the redemption date. Thirty (30) days' notice of prior redemption will be given by mail to registered owners in the manner provided by applicable provisions of the Act.

The Bonds maturing on February 1, 20__, are subject to mandatory sinking fund redemption on February 1 of the following years in the following principal amounts:

[Redemption Table, if applicable]

The specific Bonds subject to mandatory sinking fund redemption are to be randomly selected by the Registrar. All prepayments of the Bonds subject to mandatory sinking fund redemption shall be redeemed at a redemption price of par plus accrued interest to the redemption date. At the election of the City, Bonds redeemed pursuant to the exercise of any optional redemption may be applied as a credit against any mandatory sinking fund redemption.

This Bond is transferable, as provided in the Bond Resolution, only upon books of the City kept at the office of the Bond Registrar by the registered owner hereof in person or by the registered owner's duly authorized attorney, upon surrender of this Bond for transfer at the office of the Bond Registrar, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Bond Registrar duly executed by, the registered owner hereof or the registered owner's duly authorized attorney, and, upon payment of any tax, fee or other governmental charge required to be paid with respect to such transfer, one or more fully registered Bonds of the series of the same principal amount, maturity and interest rate will be issued to the designated transferee or transferees.

The Bonds are issuable only as fully registered bonds without coupons in denominations of \$5,000 or any integral multiple thereof not exceeding the principal amount maturing in any one year. As provided in the Bond Resolution and subject to certain limitations therein set forth, the Bonds are exchangeable for a like aggregate principal amount of Bonds of different authorized denominations, as requested by the registered owner or the registered owner's duly authorized attorney, upon surrender thereof to the Bond Registrar.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in regular and due time, form and manner as required by law; and that this Bond, and the series of which it is a part, is within every applicable debt and other limit prescribed by the Constitution and laws of the State of Minnesota and the Charter of the City.

This Bond shall not be valid or become obligatory for any purpose until the Registration and Authentication Certificate hereon shall have been signed by the Bond Registrar.

(The remainder of this page is intentionally left blank)

In witness whereof, the City, acting by and through its City Council, has caused this Bond to be executed with the facsimile signature of its Mayor, countersigned by the facsimile signature of the Finance Officer, and attested with the facsimile signature of the City Clerk, and a facsimile of the corporate seal of said City to be imprinted hereon, all as of the Date of Original Issue specified above.

Dated: _____

CITY OF MINNEAPOLIS, MINNESOTA

(SEAL)

Attest:

By _____
Mayor

City Clerk

Countersigned:

By _____
Finance Officer

Bond Registrar's Registration and Authentication Certificate

This is one of the Bonds described in the within mentioned Bond Resolution and has been registered as to principal and interest in the name of the Registered Owner identified above on the registration books of the Finance Officer of the City of Minneapolis.

Finance Officer, as Bond Registrar

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

(Please Print or Typewrite Name and Address of Transferee)

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Please Insert Social Security Number or
Other Identifying Number of Assignee.

Notice: The signature to this assignment must correspond with the name as it appears on the face of this Bond in every particular, without alteration or any change whatever.

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by a financial institution that is a member of the Securities Transfer Agent Medallion Program ("STAMP"), the Stock Exchange Medallion Program ("SEMP"), the New York Stock Exchange, Inc. Medallion Signatures Program ("MSP") or other such "signature guarantee program" as may be determined by the Registrar in addition to, or in substitution for, STEMP, SEMP or MSP, all in accordance with the Securities Exchange Act of 1934, as amended.

The Registrar will not effect transfer of this Bond unless the information concerning the assignee requested below is provided.

Name and Address:

(Include information for all joint owners if this Bond is held by joint account.)

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this Bond, will be construed as though they were written out in full according to applicable laws or regulations:

TEN COM — as tenants in common

TEN ENT — as tenants by entireties

JT TEN — as joint tenants with right
of survivorship and not as tenants in
common

UNIF GIFT MIN ACT —
_____ Custodian _____
(Cust) (Minor)
under Uniform Gifts or Transfers to Minors Act
_____ (State)

Additional abbreviations may also be used though not in the above list.

(The remainder of this page is intentionally left blank)

2.04. Registration. As long as any of the Bonds issued hereunder shall remain outstanding, the City shall maintain and keep at the office of the Bond Registrar a bond register in which the Bond Registrar provides for the registration of ownership of Bonds and the registration of transfers and exchanges of Bonds entitled to be registered, transferred or exchanged. Upon surrender for transfer of any Bond at the office of a Bond Registrar with a written instrument of transfer satisfactory to the Bond Registrar, duly executed by the registered owner or the registered owner's duly authorized attorney, and upon payment of any tax, fee, or other governmental charge required to be paid with respect to such transfer, the City shall execute and the Bond Registrar shall authenticate and deliver, in the name of the designated transferee or transferees, one or more fully registered Bonds, of any authorized denominations, and of a like aggregate principal amount, interest rate, and maturity. At the option of the registered owner, upon surrender of a Bond at the office of the Bond Registrar such Bond may be exchanged for an equal aggregate principal amount of Bonds of the same maturity and interest rate of any authorized denominations. In all cases in which the privilege of exchanging Bonds or transferring fully registered Bonds is exercised, the City shall execute and the Bond Registrar shall deliver Bonds in accordance with the provisions of this Resolution. For every such exchange or transfer of Bonds, whether temporary or definitive, the City or the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee, or other governmental charge required to be paid with respect to such exchange or transfer, which sum or sums shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. Notwithstanding any other provision of this Resolution, the cost of preparing each new Bond upon each exchange or transfer, and any other expenses of the City or the Bond Registrar incurred in connection therewith (except any applicable tax, fee, or other governmental charge) shall be paid by the City. The City and the Bond Registrar shall not be required to make any transfer or exchange of any Bonds called for redemption, nor be obligated to make any such exchange or transfer of Bonds during the fifteen (15) days next preceding the date of the mailing of notice of redemption in the case of a proposed redemption of Bonds.

2.05. Record Dates. Interest on any Bond which is payable, and is punctually paid or duly provided for, on any interest payment date shall be paid to the person in whose name that Bond (or one or more Bonds for which such bond was exchanged) is registered at the close of business on the fifteenth day of the preceding month. Any interest on any Bond which is payable, but is not punctually paid or duly provided for, on any interest payment date shall forthwith cease to be payable to the registered holder on the relevant regular record date solely by virtue of such holder having been such holder; and such defaulted interest may be paid by the City in any lawful manner, if, after notice given by the City to the Bond Registrar of the proposed payment pursuant to this paragraph, such payment shall be deemed practicable by the Bond Registrar. Such payments shall then be made to the persons in whose names the Bonds are registered at the close of business on a special record date established by the Bond Registrar. Subject to the foregoing provisions of this paragraph, each Bond delivered under this Resolution upon transfer of or in exchange for or in lieu of any other Bond shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Bond and each such Bond shall bear interest from such date that neither gain nor loss in interest shall result from such transfer, exchange, or substitution.

2.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the City shall execute and the Bond Registrar shall authenticate and deliver a new Bond of like maturity and principal amount as the Bond so mutilated, destroyed, stolen, or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen, or lost, upon filing with the City evidence satisfactory to the City and the Bond Registrar that such Bond has been destroyed, stolen, or lost and proof of ownership thereof, and upon furnishing the City and the Bond Registrar with indemnity satisfactory to them and complying with such other reasonable regulations as the City and the Bond Registrar may prescribe and paying such expenses as the City and the Bond Registrar may incur in connection therewith. All Bonds so surrendered to the Bond Registrar shall be cancelled by it and evidence of such cancellation shall be given to the City.

2.07. Owners. As to any Bond, the City and the Bond Registrar and their respective successors, each in its discretion, may deem and treat the person in whose name the same for the time being shall be registered as the absolute owner thereof for all purposes and neither the City nor the Bond Registrar nor their

respective successors shall be affected by any notice to the contrary. Payment of or on account of the principal of any such Bond shall be made only to or upon the order of the registered owner thereof, but such registration may be changed as above provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

2.08. Use of Securities Depository; Book-Entry Only System. The provisions of this Section shall take precedence over the provisions of Sections 2.01 through 2.07 hereof to the extent they are inconsistent therewith.

(a) The Depository Trust Company ("DTC") has agreed to act as securities depository for the Bonds, and to provide a Book-Entry Only System for registering the ownership interests of the financial institutions for which it holds the Bonds (the "DTC Participants"), and for distributing to such DTC Participants such amount of the principal and interest payments on the Bonds as they are entitled to receive, for redistribution to the beneficial owners of the Bonds as reflected in their records (the "Beneficial Owners").

(b) Initially, and so long as DTC or another qualified entity continues to act as securities depository, the Bonds shall be issued in typewritten form, one for each maturity in a principal amount equal to the aggregate principal amount of each maturity, shall be registered in the name of the securities depository or its nominee, and shall be subject to the provisions of this Section. While DTC is acting as the securities depository, the Bonds shall be registered in the name of DTC's nominee, CEDE & CO; provided that upon delivery by DTC to the City and the Bond Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of CEDE & CO., the words "CEDE & CO." in this Resolution shall refer to such new nominee of DTC.

With respect to Bonds registered in the name of a securities depository or its nominee, the City and the Bond Registrar shall have no responsibility or obligation to any DTC Participant or other person with respect to the following: (i) the accuracy of the records of any securities depository or its nominee with respect to any ownership interest in the Bonds; (ii) the delivery to any DTC Participant or other person or any other person, other than DTC, of any notice with respect to the Bonds, including any notice of redemption; or (iii) the payment to any DTC Participant or any other person, other than DTC, of any amount with respect to the principal of or interest on the Bonds. The Bond Registrar shall pay all principal of and interest on the Bonds only to or upon the order of DTC, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to the principal and interest on the Bonds to the extent of the sum or sums so paid. So long as the Book-Entry Only System described in this Section is in effect, no person other than DTC shall receive an authenticated Bond.

(c) Upon receipt by the City and the Bond Registrar of written notice from the securities depository to the effect that it is unable or unwilling to discharge its responsibilities under the Book-Entry Only System, the Bond Registrar shall issue, transfer, and exchange Bonds of the initial series as requested by the securities depository in appropriate amounts, and whenever the securities depository requests the City and the Bond Registrar to do so, the City and the Bond Registrar shall cooperate with the securities depository in taking appropriate action after reasonable notice: (i) to arrange for a substitute depository willing and able, upon reasonable and customary terms, to maintain custody of the Bonds; or (ii) to make available Bonds registered in whatever name or names the Beneficial Owner registering ownership, transferring or exchanging such Bonds shall designate, in accordance with clause (f) or clause (g) below, whichever is applicable.

(d) In the event the City determines that it is in the best interests of the Beneficial Owners that they be able to obtain printed Bonds, the City may so notify the securities depository and the Bond Registrar, whereupon the securities depository shall notify the Beneficial Owners of the availability through the securities depository of such printed Bonds. In such event, the City shall cause to be prepared and the Bond Registrar shall issue, transfer and exchange printed Bonds, fully executed and authenticated, as requested by the securities depository in appropriate amounts and, whenever the securities depository requests, the City and the Bond

Registrar shall cooperate with the securities depository in taking appropriate action after reasonable notice to make available printed Bonds registered on the Bond Register in whatever name or names the Beneficial Owners entitled to receive Bonds shall designate, in accordance with clause (f) or clause (g) below, whichever is applicable.

(e) Notwithstanding any other provisions of this Resolution to the contrary, so long as any Bond is registered in the name of a securities depository or its nominee, all payments of principal and interest on the Bond and all notices with respect to the Bond shall be made and given, respectively, to the securities depository as provided in the representation letter given to it by the City. The Letter of Representation is confirmed and shall apply to the Bonds.

(f) In the event that the Book-Entry Only System established pursuant to this Section is discontinued, except as provided in clause (g), the Bonds shall be issued through the securities depository to the Beneficial Owners.

(g) In the event of termination of the Book-Entry Only System, the City shall have the right to terminate, and shall take all steps necessary to terminate, all arrangements with the securities depository described herein, and thereafter shall issue, register ownership of, transfer and exchange all Bonds as provided herein. Upon receipt by the securities depository of notice from the City, the securities depository shall take all actions necessary to assist the City and the Bond Registrar in terminating all arrangements for the issuance of documents evidencing ownership interests in the Bonds through the securities depository. Nothing herein shall affect the securities depository's rights under clause (e) above.

SECTION 3. EXECUTION AND DELIVERY OF BONDS AND OTHER DOCUMENTS

3.01. Method of Sale. Authority to negotiate the sale and issuance of the Bonds is hereby delegated to the Finance Officer under Section 475.60, subdivision 1, of the Act; provided that the Bonds shall be sold only at a price of not less than ninety-eight percent (98%) of the principal amount of such Bonds, and the Bonds shall bear interest at the rates specified by the successful proposal. In connection with the sale of the Bonds, by one or more certificates or other written instruments or documents, the Finance Officer may make such additional covenants or directions as it may deem necessary and expedient, including but not limited to, approval of an Official Statement and of a Continuing Disclosure Certificate. Any unused discount, any premium, and any unused issuance costs shall be deposited in the Debt Service Account or applied to such authorized purposes as determined by the Finance Officer.

3.02. Bonds. The Bonds shall be executed by the respective facsimile signatures of the Mayor, Finance Officer and City Clerk and shall be sealed with a facsimile of the corporate seal of the City as set forth in the form of Bond. The text of the approving legal opinion of Kennedy & Graven, Chartered, of Minneapolis, Minnesota, as bond counsel, shall accompany each Bond. When said Bonds shall have been duly executed and authenticated by the Bond Registrar in accordance with this Resolution, the same shall be delivered to the purchasers in accordance with the terms of the sale upon payment of the purchase price, and the receipt of the Finance Officer to said purchasers thereof shall be a full acquittance; and said purchasers shall not be bound to see to the application of the purchase money. The Bonds shall not be valid for any purpose until authenticated by the Bond Registrar, which is hereby appointed authenticating agent in accordance with the Act.

3.03. Official Statement. The Finance Officer shall cause an Official Statement relating to the Bonds to be prepared, and the use thereof by the purchasers is approved.

3.04. Certificates. The Finance Officer is authorized and directed to furnish to the purchasers at the closing: (i) a certificate that, to the best of the knowledge of such officer, the Official Statement does not, at the date of closing, and did not, as of its date, contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading; and (ii) such other certificates as are required as a condition of sale,

including a Continuing Disclosure Certificate setting forth the continuing disclosure obligations of the City under applicable law, as approved by the Finance Officer. Unless litigation shall have been commenced and be pending questioning the Bonds or the organization of the City or incumbency of its officers, at the closing, the Finance Officer shall also execute and deliver to the purchasers a suitable certificate as to absence of material litigation, and the Finance Officer shall also execute and deliver a certificate as to payment for and delivery of the Bonds and a certificate meeting the requirements of the arbitrage regulations under Section 148 of the Code. The Finance Officer shall also deliver to the purchasers of the Bonds a signed approving legal opinion of Kennedy & Graven, Chartered, as to the validity and enforceability of the Bonds and the exemption of interest thereon from federal and Minnesota income taxation (other than Minnesota corporate franchise and bank excise taxes measured by income) under present laws and rulings.

3.05. Pledge Agreement. The Pledge Agreement is hereby approved and shall be executed in substantially the form on file with the City, with such additions, deletions, and other changes as are approved by the Finance Officer. The Pledge Agreement is to be executed and delivered in order to satisfy the requirements of Minnesota Statutes, Section 469.178, subdivision 2, and Sections 475.58, subdivision 1, and 475.61, subdivision 1, of the Act. The Pledge Agreement creates rights in the City and the Agency but is not intended to create duties or obligations of the City or the Agency to any other persons (including the beneficial or registered owners of the Bonds) with respect to the Tax Increment Revenues or other revenues described or referenced in the Pledge Agreement, and is not intended to create rights in or claims by any other persons (including the beneficial or registered owners of the Bonds) with respect to the Tax Increment Revenues or other revenues described or referenced in the Pledge Agreement.

SECTION 4. APPLICATION OF PROCEEDS; REDEMPTION OF REFUNDED BONDS.

4.01. Appropriation of Funds. The proceeds of the Bonds are hereby appropriated as follows: (i) any accrued interest shall be deposited in the Debt Service Account; (ii) an amount determined by the Finance Officer to pay interest on the Bonds shall be set aside and applied to such purpose; (iii) an amount sufficient to pay the public redevelopment costs proposed to be paid from the proceeds of the Series 2003A Bonds for the development and redevelopment of the District shall be set aside and applied to such purpose; and (iv) an amount sufficient to pay the costs of issuing the Bonds shall be set aside and applied to such purpose. Any remaining proceeds of the Bonds shall be applied to purposes of the City determined and designated by the Finance Officer.

SECTION 5. COVENANTS OF THE CITY.

5.01. Debt Service Account. There is hereby established a Debt Service Account with respect to the Bonds for payment of principal of, premium, if any, and interest on the Bonds. To the extent deemed appropriate and in the best interests of the City, the City will apply the Tax Increment Revenues and other revenues described in Section 1.03 of this Resolution to the payment of the principal of and interest on the Bonds. The Finance Officer shall deposit in the Debt Service Account, from amounts in the accounts which shall be or have heretofore been created for the deposit of Tax Increment Revenues and other revenues to be applied to payment of the Bonds, such Tax Increment Revenues and other revenues as are deemed appropriate and necessary to pay the principal of and interest on the Bonds when due; provided that such use of Tax Increment Revenues is subordinate to any prior obligations of the City to which the Tax Increment Revenues have been pledged (if such pledge does not recognize or permit parity claims or parity uses of such Tax Increment Revenues) and such deposit shall be made only to the extent such Tax Increment Revenues are available therefor. The City and the Agency may pledge or apply the Tax Increment Revenues to existing or future obligations of the City and the Agency on a parity or priority basis with the Bonds.

5.02. Pledge of Full Faith and Credit; Tax Levies. The full faith and credit of the City are irrevocably pledged for the prompt and full payment of the Bonds and the interest thereon, when due. It is hereby estimated that the Tax Increment Revenues and other revenues to be applied to the payment of the

Bonds under Section 5.01 will produce at least five percent (5.00%) in excess of the amount needed to meet when due the principal and interest payments on the Bonds, but the City shall levy, in addition to all other taxes, a direct tax on all taxable property in the City, without limitation as to rate or amount, if necessary to pay such principal and interest when due. Without limiting the foregoing, the City shall levy taxes in each year to the extent estimated collections of Tax Increment Revenues and other revenues to be applied to the payment of the Bonds in the following year, together with available amounts on deposit in the Debt Service Account and other dedicated funds, are insufficient to pay the principal of and interest on the Bonds in such subsequent year and at least five percent in excess thereof.

5.03. Tax Covenant. The City shall not take any action or authorize any action to be taken in connection with the application or investment of the proceeds of the Bonds or any related activity which would cause the Bonds to be deemed to be “private activity bonds”, within the meaning of Section 141 of the Code, or “arbitrage bonds”, within the meaning of Section 148 of the Code. The City shall take all such action as may be required under the Code to ensure that interest on the Bonds is not and does not become includable in gross income for federal income tax purposes.

SECTION 6. MISCELLANEOUS.

6.01. Registration. The City Clerk is hereby authorized and directed to certify a copy of this Resolution and to cause the same to be filed with the Taxpayer Services Division Manager of Hennepin County, exercising the powers of the County Auditor under Section 475.63 of the Act, and to obtain a certificate as to the registration of the Bonds.

6.02 Certification. The City Clerk, the Finance Officer, and other officers and employees of the City are hereby authorized and directed to furnish to the attorneys approving the Bonds, on behalf of the purchasers of the Bonds, certified copies of all proceedings and certifications as to facts as shown by the books and records of the City, to show the proceedings taken in connection with the Bonds, and the right and authority of the City to issue the Bonds, and all such certified copies and certifications shall be deemed representations of fact on the part of the City.

6.04. Arbitrage. The City covenants and agrees with the purchasers and holders of the Bonds that the investments of the “gross proceeds” of the Bonds, including the investment of any revenues pledged to the Bonds which are considered “gross proceeds” under Section 148 of the Code, and accumulated sinking funds, if any, shall be limited as to amount and yield in such manner that the Bonds shall not be deemed to be “arbitrage bonds” within the meaning of Section 148 of the Code. On the basis of existing facts, estimates, and circumstances, including the foregoing findings and covenants, the City Council hereby certifies that it is not expected that the proceeds of the Bonds will be used in such manner as to cause the Bonds to be “arbitrage bonds” under Section 148 of the Code. The Finance Officer shall furnish an arbitrage certificate to the original purchasers of the Bonds embracing or based on the foregoing certification at the time of delivery of the Bonds, and the Finance Officer may make any election permitted under Section 148 of the Code, or under any other provision of the Code, on behalf of the City.

6.05. Effective Date. This resolution shall take effect and be in force from and after its approval and publication.

MN130-107 (JU)
231460v.4

TAX INCREMENT PLEDGE AGREEMENT (West Side Milling)

THIS TAX INCREMENT PLEDGE AGREEMENT (the "Agreement") is made and entered into as of _____, 2003, between the CITY OF MINNEAPOLIS, MINNESOTA (the "City"), and the MINNEAPOLIS COMMUNITY DEVELOPMENT AGENCY (the "Agency").

WHEREAS, the City is issuing its General Obligation Tax Increment Bonds, Series 2003A (West Side Milling), in the original aggregate principal amount of \$1,725,000 (the "Series 2003A Bonds," or the "Bonds"), to finance certain public redevelopment costs of the Industry Square Redevelopment Project and the West Side Milling District TIF District No. 86, for the purposes described in Resolution No. 2001R-441, passed by the City Council of the City on October 12, 2001, and approved by the Mayor of the City on October 18, 2001; and

WHEREAS, the City and the Agency have established the West Side Milling District TIF District No. 86 (the "District") under Minnesota Statutes, Sections 469.174 to 469.1799, as amended (the "Act"), and predecessor laws;

NOW, THEREFORE, the Agency and the City hereby agree as follows:

1. The tax increment revenues to be derived from the District, in excess of all "administrative expenses" (as defined in Section 469.174, subdivision 14, of the Act) that the Agency elects to pay with such tax increment revenues, are hereby pledged to the payment of principal and interest on the Bonds to the extent necessary to pay such principal and interest when due, subject to any prior pledge of such tax increment to any obligations of the Agency or the City heretofore issued and any future pledges to such obligations as may hereafter be issued.

2. An executed copy of this Agreement shall be filed with the County Auditor of Hennepin County (or the officer of Hennepin County exercising the powers of the county auditor) and shall constitute authority of the City and Agency to apply the tax increment revenues of the District herein referred to as provided in this Agreement.

(The remainder of this page is intentionally left blank.)

IN WITNESS WHEREOF, the City and Agency have caused this Agreement to be duly executed.

CITY OF MINNEAPOLIS, MINNESOTA

By: _____
Mayor

(SEAL)

Countersigned: _____
Finance Officer

City Clerk

Approved as to form:

City Attorney

Execution page of the Agency to the Tax Increment Pledge Agreement (West Side Milling).

**MINNEAPOLIS
DEVELOPMENT AGENCY**

COMMUNITY

By: _____
Deputy Executive Director

And By: _____
Finance Officer

Approved as to form:

Assistant City Attorney

MINNEAPOLIS COMMUNITY DEVELOPMENT AGENCY

Modification No. 2 to the West Side Milling District Tax Increment Finance Plan

April 18, 2003

Prepared by MCDA Project Planning and Finance Department
105 5th Avenue South, Minneapolis, Minnesota 55401

**Modification No. 2 to the West Side Milling District Tax Increment
Finance Plan
April 18, 2003**

Table of Contents

Introduction

- I. Tax Increment District Boundary – *Text Added*
- II. Statement of Objectives – *No Change*
- III. Development Program – *Text Changed*
 - A. Description of Development Program – *Text Changed*
 - B. List of Property to be Acquired – *No Change*
 - C. Development Activity for Which Contracts Have Been Signed and Other Specific Development Expected to Occur – *Text Updated*
 - D. Other Development Activity – *No Change*
- IV. Description of Financing – *Text Added*
 - A. Project Costs – *Text Changed*
 - B. Bonded Indebtedness to be Incurred – *Text Changed*
 - C. Sources of Revenue – *No Change*
 - D. Original Net Tax Capacity – *Text Added*
 - E. Estimated Captured Net Tax Capacity – *Text Added*
 - F. Duration of District – *No Change*
 - G. Fiscal Disparities Election – *No Change*
 - H. Original Tax Capacity Rate – *Text Added*
 - I. LGA/HACA Penalty Exemption – *No Change*
 - J. Affordable Housing and Expenditures Outside TIF District – *Section Added*
- V. Type of Tax Increment Financing District – *No Change*
- VI. Estimated Impact on Other Taxing Jurisdictions – *No Change*

- VII. Basis for Finding that Development Would Not Occur Without Tax Increment Financing Assistance – *No Change*
- VIII. Modifications to Tax Increment Finance Plans – *No Change*
- IX. Hazardous Substance Subdistrict Plan – *No Change*

Exhibits

Exhibit A.....Boundary Map

TAX INCREMENT FINANCE PLAN

I. Tax Increment District Boundary - *Text Added*

This modification (No. 2) to the TIF Plan deletes certain property from the TIF district. The area to be deleted from the district is illustrated in Exhibit A and is described below.

That portion of PID # 23-029-24-34-0067 (currently owned by the Agency and exempt from property taxes) which is bounded by 2nd Street South, Washington Avenue South, vacated Park Avenue South and vacated Chicago Avenue South.

At the time this modification was prepared neither Park Avenue South nor Chicago Avenue South had been constructed between 2nd Street South and Washington Avenue South. It is currently anticipated that the construction of these two street segments will take place in 2003.

The area to be deleted from the TIF district is part of a larger area that is currently in the process of being replatted. Upon completion of this process and assignment of a distinct PID # for the area to be deleted from the TIF district, Hennepin County will delete such parcel and PID # from the TIF district.

II. Statement of Objectives – *No Change*

III. Development Program – *Text Changed*

A. Description of Development Program – *Text Changed*

The purpose of this modification is to:

- (1) delete property from the TIF district
- (2) adjust the budget (including additional affordable housing)
- (3) adjust bonded indebtedness

Background

On February 6, 1998, the Minneapolis City Council approved the **West Side Milling District TIF and Hazardous Substance Subdistrict Plan** (the “Plan”). The Plan authorized public redevelopment activity and expenditures to assist the West Side Milling District Project, and created a new tax increment financing district and hazardous substance subdistrict.

The Plan authorized the use of tax increment revenue and other public funds to pay for public redevelopment activity – including acquisition, demolition, pollution remediation, rehabilitation of historic buildings, public improvements, and other project related activities. The primary purpose of the Plan was to facilitate the rehabilitation and residential reuse of the historic North Star Woolen Mill, the Utility Building of the Washburn Crosby Mill complex, and new infill housing development on an adjacent property. The Plan also authorized possible additional public improvements and expenditures to assist with the stabilization and preservation of the remaining untreated historic structures in the Washburn Crosby Mill Complex, and to facilitate the implementation of the St. Anthony Falls Interpretive Plan, which includes the development of a major historic interpretive and orientation center within the Crosby Washburn Mill Complex. The Plan authorized public assistance to facilitate the housing development project, assisted with the implementation of the historic interpretive center plan, and leveraged further public and private redevelopment activities and expenditures that facilitated the preservation and reuse of the entire complex of historic properties and resources in a viable combination of public and private uses.

On February 2, 2001, the City Council approved **Modification No. 1** to the West Side Milling District TIF Plan. Modification No. 1 authorized the geographic enlargement of the TIF District by the addition of two parcels initially and subsequent addition of portions of three other parcels. The Modification also revised the budget to finance additional public redevelopment activities, and the maximum amount of bonded indebtedness that may be incurred.

The development plans included development of the lower three floors of the eight-story Washburn/Crosby A Mill for the Minnesota Historical Society's Mill City Museum, and development of the upper five floors by Brighton Development Corporation into approximately 62,315 square feet of office space. Brighton also redeveloped the Humboldt Building and adjacent land into 36 units of ownership housing.

A parking structure will be constructed on the property now being deleted from the TIF district across 2nd Street South and will contain approximately 300-400 public stalls. Future plans include development of the remaining portions of land lying around and adjacent to the public parking ramp. Public infrastructure for this development will include the extension of Chicago and Park Avenues from Washington Avenue South to 2nd Street South.

Total development completed, under construction or future construction includes:

		Ownership	Estimated Market Value (Millions)	Completion Date
Phase 1	Northstar Lofts	36	\$17	Nearly complete
	Stone Arch Lofts	36	23	Complete
	Washburn Lofts	22	19	Nearly complete
Phase 2A	Mill City Museum			In Process
	Stone Arch Plaza (Office)	--	5.2 60,000 SF	In Process
	Humboldt	36	18	In Process
Phase 2B	Parcel D West:			
	Park Avenue Lofts West	38	19	Start April 2003
	Portland Condos	56	20	2004
	Washington Avenue Live/Work	28	7.5	2005
Infrastructure	Park Avenue between Washington and 2 nd Street			2003
	Chicago Avenue Plaza			2003

B. List of Property That May Be Acquired – *No Change*

C. Development Activity for Which Contracts Have Been Signed and Other Specific Development Expected to Occur – *Text Updated*

The West Side milling District includes several projects that have been undertaken under redevelopment contracts with Brighton Development Corporation or related entities. The Northstar Lofts, Stone Arch Lofts and the Washburn Lofts have been completed and are occupied. The Humboldt Mill is under construction and scheduled for completion in early 2004. The MCDA contributed \$2,026,706 towards the rehabilitation of the historic Humboldt Mill building, which is being integrated with a new construction component of the Humboldt Mill Lofts. The remaining parcel included within the contract is Parcel D - West which will be done in three phases and is privately financed. Construction has not started, but is anticipated later this year. The construction of Park Avenue (Washington - Second St. S.) by the Public Works Department is contemplated to begin in late 2003 and carry over into 2004. Costs are estimated to be \$775,000. The new Chicago Plaza is under design, with first phase construction scheduled to begin in the Spring of 2003 at an estimated cost of \$300,000.

D. Other Development Activity – *No Change*

IV. Description of Financing – Text Added

A. Project Costs – Text Changed

The following tax increment and hazardous substance subdistrict (HSS) budget provides an estimate of those costs that will be paid with tax increments and hazardous substance subdistrict revenues. This budget does not include costs paid with State funds, pollution grants, private donations or other sources not listed below.

Tax Increment & HSS Budget

	<u>Up-Front</u>	<u>Over Time</u>
<u>Sources</u>		
Par Amount of Bonds	\$18,500,000	---
Tax Increment ---	\$53,000,000	
Hazardous Substance Subdistrict (HSS)	---	300,000
Capitalized Interest ---	<u>2,700,000</u>	
Total Sources \$18,500,000	\$56,000,000	
<u>Uses</u>		
Rehabilitation/		
Historic Preservation	\$13,000,000	---
Public Improvements	2,500,000	---
Capitalized Interest 2,700,000	---	
Underwriters Discount	150,000	---
Costs of Issuance 150,000	---	
HSS Eligible Costs	\$300,000	
Bond Principal Payments	---	18,500,000
Bond Interest Payments	---	18,650,000
Pooling Outside TIF District (15% of TI)	---	7,950,000
Pooling for Affordable Housing (10% of TI)	---	5,300,000
Administration (10% of TI)	<u>---</u>	<u>5,300,000</u>
Total Uses	\$18,500,000	\$56,000,000

B. Bonded Indebtedness to be Incurred – *Text Changed*

The MCDA may use one or a combination of financing methods to pay public costs and manage public risk. Financing methods may include, but are not limited to, the following:

1. Selling general obligation or revenue bonds,
2. Direct payment or reimbursement of public costs by the developer,
3. Pay-as-you-go financing in which the developer pays for public costs, but is reimbursed over time (with interest) from tax increment or other revenues, and
4. Internal financing using public funds of the MCDA or City.

It is currently anticipated that the City will issue general obligation tax increment bonds to fund most of the public costs listed in the tax increment budget. Debt service on such bonds would be primarily paid with tax increment and capitalized interest. The City and Agency reserve the right to issue such bonds in an amount not to exceed \$18,500,000.

C. Sources of Revenue – *No Change*

D. Original Net Tax Capacity – *Text Added*

A portion of the land area within the current boundaries of TIF district is being deleted by this modification to the TIF plan. See Section I (Tax Increment District Boundary) for details.

The Original Net Tax Capacity (ONTC) of the TIF district is currently \$4,970 (taxes payable in 2003). As previously described, the deleted land area encompasses portions of three PID #'s, all of which are currently tax-exempt. The deletion of this property will therefore not change the ONTC of the TIF district.

E. Estimated Captured Net Tax Capacity – *Text Added*

At the time this modification (No. 2) was prepared, the projection of captured net tax capacity and net tax increment upon full development (for taxes payable in

2007) was as follows:

	Projected Captured NTC	Projected Net Tax Increment
Phase 1	\$629,575	\$855,323
Northstar Lofts (home ownership)		
Stone Arch Lofts (home ownership)		
Washburn Condos (home ownership)		
Phase 2a	301,975	411,286
Humboldt Condos (home ownership)		
Stone Arch Plaza (office)		
Phase 2b Parcel D West (home ownership)	<u>454,226</u>	<u>618,649</u>
	\$1,385,776	\$1,885,258

F. Duration of District – *No Change*

G. Fiscal Disparities Election – *No Change*

H. Original Tax Capacity Rate – *Text Added*

The original (frozen) tax capacity rate of the TIF district, as reported by Hennepin County, is 146.817%.

I. LGA/HACA Penalty Exemption – *No Change*

J. Affordable Housing and Expenditures Outside TIF District – *Section Added*

Pursuant to M.S. Section 469.176, Subd. 4k, tax increment may be spent to assist affordable housing meeting the requirements of M.S. Section 469.173, Subd. 2, paragraph (d), which states that such expenditures must:

- (1) be used exclusively to assist housing that meets the requirements for a qualified low income building (as defined in Section 42 of the IRC);
- (2) not exceed the qualified basis of the housing (as defined in Section 42c of the IRC) less the amount of any credit allowed under Section 42; and
- (3) be used to:
 - (i) acquire and prepare the site of the housing;
 - (ii) acquire, construct, or rehabilitate the housing; or
 - (iii) make public improvements directly relating to the housing.

Tax increment expenditures for the qualifying affordable housing costs listed above are not restricted to the TIF district or project area, but may be spent anywhere in the city. However, the amount of tax increment used for such purposes is restricted.

Pursuant to M.S. Section 469.1763, Subd. 2, up to 25% of the tax increment from a redevelopment TIF district may be spent on activities located outside the boundaries of the TIF district. An authority may elect in the TIF plan to increase this amount by up to 10% (maximum total of 35%), provided that these additional expenditures meet the affordable housing requirement listed above. Administrative expenses are considered expenditures outside of the district.

Pursuant to the provisions, requirements and restrictions noted above, the Agency elects to increase by 10% the amount of tax increment that may be expended outside the boundaries of the TIF district. It currently anticipates that up to 10% of the increment collected from the district (over its lifetime) may be used for administrative purposes, and up to 25% of the increment collected from the district (over its lifetime) will be used for affordable housing purposes.

- V. Type of Tax Increment Financing District – *No Change***
- VI. Estimated Impact on Other Taxing Jurisdictions – *No Change***
- VII. Basis for Finding that Development Would Not Occur Without Tax Increment Financing Assistance – *No Change***
- VIII. Modifications to Tax Increment Finance Plans – *No Change***
- IX. Hazardous Substance Subdistrict Plan – *No Change***